Supreme Court, U.S.
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IN THE

Supreme Court of the United States

TY, INC. and H. TY WARNER,

Petitioners,

v.

PEACEABLE PLANET, INC.,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED FOR REVIEW

Whether the Seventh Circuit erred in creating a new "rare or uncommon personal name" exception to the long-established rule in trademark law that personal names are descriptive and not protectible absent a showing of secondary meaning, to the effect that uncommon or rare personal names are no longer recognized as descriptive in trademark law.

STATEMENT PURSUANT TO RULE 29.6

The caption of the case contains the names of all the parties. Petitioner Ty Inc. has no parent corporation, and no publicly held company owns 10 percent or more of its stock.

Petitioner H. Ty Warner is an individual.

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Petitioners Ty Inc. and H. Ty Warner respectfully petition this Court for a writ of certiorari to review the judgment of the United States Court of Appeals for the Seventh Circuit in this case.

OPINIONS BELOW

The August 27, 2003 memorandum opinion and order of the U.S. District Court for the Northern District of Illinois, Eastern Division, is not reported. The April 2, 2004 decision of the U.S. Court of Appeals for the Seventh Circuit is reported at 362 F.3d 986 (7th Cir. 2004).

STATEMENT OF JURISDICTION

The U.S. Court of Appeals for the Seventh Circuit issued its decision in this case on April 2, 2004. Pursuant to 28 U.S.C. § 1254(1), this Court has jurisdiction to review that decision on a writ of certiorari.

STATUTE INVOLVED

15 U.S.C. § 1125(a):

§ 1125. False designations of origin, false descriptions, and dilution forbidden

(a) Civil action

> **(1)** Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading

description of fact, or false or misleading representation of fact, which—

(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or

(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,

shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

(2) As used in this subsection, the term "any person" includes any State, instrumentality of a State or employee of a State or instrumentality of a State acting in his or her official capacity. Any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this chapter in the same manner and to the same extent as any nongovernmental entity.

(3) In a civil action for trade dress infringement under this chapter for trade dress not registered on the principal register, the person who asserts trade dress protection has the burden of proving that the matter sought to be protected is not functional.

STATEMENT OF THE CASE

Petitioners, makers and sellers of Beanie Babies® plush toys, sold a plush toy camel named "Niles" from March 2000 to March 2001. Respondent had sold a plush toy camel, also bearing the name "Niles," beginning in May 1999.

Respondent sued petitioners for trademark infringement, among other federal and state-law theories, alleging that their use of the name "Niles" in connection with a plush toy camel was a violation of a common-law trademark in that name held by respondent. Petitioners defended on the ground that the name "Niles" is a personal name, and accordingly not protectible unless respondent could prove that the name had acquired a secondary meaning in the marketplace, and observing that respondent had not done so. The district court agreed, and granted summary judgment in petitioners' favor on all claims.

The Seventh Circuit reversed. It rejected the principle that personal names are not as a rule entitled to trademark protection without proof of secondary meaning, and held that the name "Niles" was not common enough as a personal name to require secondary meaning before being protectible as a trademark.

1. Personal names are not entitled to trademark protection unless they have acquired secondary meaning in the marketplace. First names are like surnames, in that both are descriptive terms, requiring proof of secondary meaning in order to be considered valid trademarks. Such names are treated as a subset of descriptive marks, which are not protectible without secondary meaning because they are not inherently distinctive and do not indicate a product's origin.

See Wal-Mart Stores, Inc. v. Samara Bros., Inc., 529 U.S. 205, 212 (2000). When used to describe a product, a mark "do[es] not inherently identify a particular source, and hence cannot be protected." *See Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 769 (1992).

2. Petitioner Ty Inc. ("Ty") manufactures and sells plush toys, including its famous Beanie Babies line of plush toys. Petitioner H. Ty Warner is Ty's president, CEO, and sole shareholder. Two of Ty's employees originally conceived of the name "Niles" for a plush toy camel in January 2000. Ty's legal department conducted a trademark search for the name "Niles" in this context, using a commercial trademark-search database, which searches federal registrations and applications. When this trademark search did not locate any use of "Niles" for a camel, Ty's general counsel approved the use of the name. By the end of February 2000, Ty had manufactured and shipped 189,000 plush toy camels from Hong Kong with sewn-in tags and hang tags bearing the name "Niles."

Ty introduced its plush camel as part of the Beanie Babies collection that same month at the New York Toy Fair, and announced its name "Niles" on its website shortly thereafter. From March 2000 to March 2001, when Ty retired the "Niles" plush toy, it sold approximately 1.8 million of them throughout the United States. Its only advertisement or promotion of "Niles" consisted of depicting it, along with all of its other products, on its website and in catalogs it distributed to retailers.

Respondent Peaceable Planet, Inc. is a Georgia corporation with its principal place of business in Savannah, Georgia. In 1998, one of respondent's founders—after noting

the sales of Beanie Babies in his own toy stores—developed an idea to sell similar plush toys that would be marketed with an educational purpose. In 1998, respondent began selling its plush bean-bag animals under the trademark PEACEABLES. In May 1999, respondent began selling a plush camel named "Niles."

From May 1999 through the end of February 2000, when Ty introduced its "Niles" camel, respondent had shipped only around 3,217 of its "Niles" camels. On March 22, 2000, respondent filed an application with the U.S. Patent and Trademark Office to register the mark "Niles." Two days later, respondent sent petitioner Ty a cease-and-desist letter, demanding that it not use the "Niles" name for its plush camel.

After receiving respondent's cease-and-desist letter, Ty's general counsel ordered another, more extensive trademark search, including a search of all federal trademark databases, state registrations, common-law sources and Internet references. The results of this search did not include respondent's "Niles." Based on these results and other information, the general counsel rendered a legal opinion that respondent's trademark-infringement claim had no merit because (1) respondent had not developed any common-law trademark rights in the name "Niles" prior to Ty's entry into the market, and (2) there was no likelihood of confusion.

3. Respondent sued petitioners in September 2001, several months after Ty had ceased selling its "Niles" plush toy, alleging *inter alia* that petitioners had violated respondent's trademark in that name. The district court granted petitioner summary judgment on all of respondent's claims. Pet. App. 31a.

The district court observed that personal names are deemed "descriptive" marks for purposes of trademark law, and therefore require proof of secondary meaning in order to be considered valid trademarks. Pet. App. 28a. A mark is primarily merely a personal name if its primary significance to the purchasing public is that of a personal name. Looking to the results of the consumer survey commissioned by petitioners, the court noted that 47 percent of prospective purchasers thought of "Niles" as a word mainly used as a person's name. In addition, the word "Niles" was found in only one of the eleven dictionaries that Ty searched, and there only as the name of two Midwestern municipalities. Used as a personal name, by contrast, "Niles" appeared in at least three books and on eight websites devoted to choosing baby names; there are more than a thousand people with the first name "Niles" in Michigan, California and Texas, and at least another 147 in Illinois alone. Pet. App. 28a–29a. This evidence, the district court concluded, established that the purchasing public primarily considers "Niles" to be a personal name, and showed that the mark is not inherently distinctive. *Id.* 29a. As a consequence, it held, the mark was not entitled to trademark protection unless respondent could demonstrate that it had acquired secondary meaning.

Establishing secondary meaning requires a manufacturer to show that in the minds of the public, the primary significance of a product feature or term is to identify the source of the product, not the product itself. The burden of showing secondary meaning lies with the party claiming trademark protection. Pet. App. 29a. In the district court's view, respondent had not presented evidence to indicate that the primary significance of the term "Niles" is to identify

respondent as the source of the toy camel, rather than to identify the toy itself. The district court agreed that respondent had not presented any competent evidence that the name "Niles," used as the name of its plush toy camel, had acquired any secondary meaning, and noted that even respondent's consumer-impression expert had admittedly not established that it had. *Id.* 29a–30a. Without proof of secondary meaning, the district court held, "Niles" was not a valid, protectible mark, and there was no genuine issue of material fact as to respondent's claim of trademark infringement. Petitioners were therefore entitled to summary judgment on that claim and on respondent's federal false-advertising and state trade-law claims. *Id.* 31a.

The district court also granted summary judgment to petitioners on respondent's trade-disparagement claim, holding that there were no allegations or evidence that they had made any disparaging or false statements regarding the quality of respondent's products. Pet. App. 32a–33a.

4. On respondent's appeal, the Seventh Circuit reversed in an opinion by Judge Posner. The court acknowledged that descriptive marks are not protected by trademark law unless they have acquired secondary meaning in the marketplace. Pet. App. 3a. It further recognized that personal names have been commonly treated as descriptive marks. *Id.* 4a.

The Seventh Circuit concluded that while a descriptive mark is not legally protected unless it has acquired a secondary meaning, personal names should not always be treated as descriptive marks. According to Judge Posner's opinion for the court, personal names are rarely descriptive.

Pet. App. 4a. The principle that discourages trademark protection for descriptive marks, the court stated, is animated by three concerns: the reluctance to forbid a person from using his own name in his own business, Pet. App. 5a; the idea that some names are so common that they do not give the impression that two products that share such a name come from the same source, *id.* 6a; and the fear of depriving consumers of useful information about a product's source. *Id.* In the court's view, none of those concerns was pertinent to this case. Exclusive use of the name "Niles" on the respondent's toy camel would not prevent any person with that name from using it in business. The court declared the name "downright rare," and observed that if it were common, preventing petitioners from using that name would not deprive their customers of information about their product. *Id.* 8a–9a.

The court held that "Niles," when used as the name of a toy camel, is a suggestive mark rather than a descriptive one, and therefore protectible without proof of secondary meaning. Pet. App. 8a–9a.

The Seventh Circuit held that the personal-name rule is a "generalization" that is subject to an exception in some cases, an exception justified in part because that rule is a common-law rather than statutory doctrine and therefore need not be strictly applied. Pet. App. 6a–8a. The Seventh Circuit declared it "ridiculous" to suggest that "Niles" is part of the limited class of recognized names. *Id.* 11a. Noting that the rule has been held not to apply when the public is unlikely to understand the personal name as a personal name, the court disregarded petitioners' consumer-survey results—which

had shown that a substantial portion of the consuming public *does* consider "Niles" a personal name—as irrelevant. *Id.* 11a–12a.

Concluding that respondent has a valid trademark in the name "Niles" as applied to its plush toy camel, the Seventh Circuit therefore reversed the summary judgment for petitioners and remanded the case to the district court. Pet. App. 13a. While it affirmed the summary judgment for petitioners on respondent's product-disparagement claim, Pet. App. 15a–16a, the court also reversed the summary judgment as to respondent's state-law claims under the Illinois Uniform Deceptive Trade Practices Act, 815 ILCS 510/1 *et seq.*, and the Illinois Consumer Fraud and Deceptive Business Practices Act, 815 ILCS 505/1 *et seq.*, as well as for common-law trademark infringement, and reversed the summary judgment as to the federal false-advertising claim. Pet. App. 16a.

5. This petition for a writ of certiorari followed.

REASONS FOR GRANTING THE PETITION

Until the Seventh Circuit decided this case, those circuits that had expressed an opinion on the subject were in harmony in holding that personal names were not entitled to trademark protection unless they had acquired secondary meaning. *See, e.g., Circuit City Stores, Inc. v. CarMax, Inc.*, 165 F.3d 1047, 1054 (6th Cir. 1999); *Perini Corp. v. Perini Constr., Inc.*, 915 F.2d 121, 125 (4th Cir. 1990); *815 Tonawanda Street Corp. v. Fay's Drug Co., Inc.*, 842 F.2d 643, 648 (2d Cir. 1988). District courts have consistently respected this rule.

See, e.g., Ferguson v. Maita, 162 F. Supp. 2d 433, 440 (W.D.N.C. 2000); *Paco Sport, Ltd. v. Paco Rabanne Parfums*, 86 F. Supp. 2d 305, 312 (S.D.N.Y. 2000); *Cairns v. Franklin Mint Co.*, 24 F. Supp. 2d 1013, 1034 (C.D. Cal. 1999). A noted commentator agrees: "Personal names (surnames and first names) have been placed by the common law into that category of non-inherently distinctive terms which require proof of secondary meaning for protection." 2 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition*, § 13:2, at 13-3–13-4 (4th ed. 2002).

No more. Despite this heretofore accepted and uncontroversial rule of law, the Seventh Circuit held that a party may acquire exclusive use of a personal name—with common-law trademark protections attendant thereto—*even without proof of secondary meaning in the relevant marketplace.* The personal-name rule is not a rule at all, the court declared; it is just a "generalization," unworthy of continued respect or consistent enforcement.

But in demoting the personal-name rule to an unenforceable generalization, the Seventh Circuit's decision damages a sound and valuable legal principle and upsets the finely calibrated system by which trademark protection is extended. It departs from a line of authority that is vital to promoting and protecting the settled expectations of businesses that use personal names in almost any way.

Venerable decisions of other circuits and a host of district courts hold that personal names are descriptive marks, and therefore not entitled to trademark protection without evidence that they have acquired a secondary meaning. In this case not even the plaintiff suggested that the mark in question had acquired any such meaning, and the Seventh

Circuit did not hold that it had. But the plaintiff insisted that the personal-name rule should not be applied in this case, and the Seventh Circuit agreed—on the wholly subjective ground that it did not consider "Niles," the mark at issue here, to be a sufficiently common personal name.

Whatever the Seventh Circuit might think of the name "Niles" or the validity of the personal-name rule, that rule is more than just a generalization to the innumerable individuals and businesses who have relied upon it—and who, on the basis of that rule, have either chosen not to seek trademark protection for their own creations or have been lulled into competition with others whose creations were thought not to be so protected. Dashing those expectations, as the Seventh Circuit did when it abrogated the personal-name rule, upsets the delicately balanced scheme by which trademark protection is ruled. This Court has recognized as much in the related context of patent law:

> To change so substantially the rules of the game now could very well subvert the various balances the [Patent and Trademark Office] sought to strike when issuing the numerous patents which have not yet expired and which would be affected by our decision. [*Warner-Jenkinson Co., Inc. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 32 n.6 (1997).]

This concern is no less relevant to trademarks. Abolishing a rule governing such protection jeopardizes reasonably settled expectations. As bad as that effect might be in a single case, it is worse still for the system as a whole—for it leaves those expectations at the mercy of any judge or court that simply doesn't feel that the name in question is a personal name at

all. And it does so even if there is evidence that a large part of the population considers it one, as there was in this case.

Indeed, this Court consistently acknowledges the importance of bright-line rules to those who use them to guide their actions in various marketplace and regulatory settings. Bright-line rules in the area of sales and use taxes, for instance, encourage settled expectations and foster investment. *Quill Corp. v. North Dakota*, 504 U.S. 298, 316 (1992). Such rules are often preferable to the protracted litigation that might arise in their absence. *See Bowsher v. Merck & Co., Inc.*, 460 U.S. 824, 842 n.18 (1983).

So too here. In the trademark setting, it is the individuals and entities who have strived to follow this now-imperiled rule of law who stand to lose the most from the Seventh Circuit's departure from that law. They are left virtually at sea by its sudden obliteration. Worse, they may have acted to their detriment by following what they had every reason to believe a fixed and immutable legal proposition—only to see it reduced to a putative "generalization" by the Seventh Circuit. Having thwarted the settled expectations of countless businesses, the Seventh Circuit's decision is profoundly *un*settling to those expectations. Nothing in this case justifies the sacrifice of a valid and pertinent rule of law.

In particular, the Seventh Circuit's decision is unjustified by the new standard it applied to personal names—a standard that has demonstrably small relevance to personal names at all, and is suited only to entirely different kinds of descriptive marks. While the Seventh Circuit felt that the pertinent question was whether the mark in question described a characteristic of the defendant's product, the Second Circuit has expressly rejected such a test—and reversed a district

court ruling that had relied on it. *815 Tonawanda Street*, 842 F.2d at 648–49; *see also Abraham Zion Corp. v. Lebow*, 761 F.2d 93, 104 (2d Cir. 1985).

The Seventh Circuit's decision is riddled with assertions that the name "Niles" is not generally recognized as a name when applied to a toy camel. But regardless of whether those assertions are correct, the analysis of which they are part is squarely at odds with that of other Courts of Appeal. To the contrary, the analysis articulated by other courts does not depend on the specific product or service in question, but rather on the general public perception of a word as either being a personal name or not. *See, e.g., 815 Tonawanda Street*, 845 F.2d at 648. That analysis is wholly unsuited to the exception that the Seventh Circuit carved out of this doctrine.

Similarly, that exception is out of place where the descriptive mark is a personal name. The Seventh Circuit's decision relies chiefly on the descriptive function of marks that are not names at all. While courts may have to consider the descriptiveness of such claimed trademarks in the context of the corresponding good being offered for sale, there is no purpose in doing so with a mark that is a personal name. Names do not directly describe the traits or provenance of a good. The law treats them as descriptive marks in most respects—but even so, there is no sense in comparing a personal name directly to the item or business that has been given that name.

The decision of the Seventh Circuit promises to promote chaos in the field of trademark protection. It is directly in conflict with a host of previous decisions that enforce the personal-name rule, and concerns a matter that ought to be settled by this Court.

CONCLUSION

For the foregoing reasons, the petition for a writ of certiorari should be granted.

Respectfully submitted,

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APPENDIX

APPENDIX A — OPINION OF THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT DECIDED APRIL 2, 2004

In the
UNITED STATES COURT OF APPEALS
for the Seventh Circuit

No. 03-3452

PEACEABLE PLANET, INC.,

Plaintiff-Appellant,

v.

TY, INC. and H. TY WARNER,

Defendants-Appellees.

Appeal from the United States District Court for the Northern District of Illinois, Eastern Division.
No. 01 C 7350—**John W. Darrah**, *Judge*.

ARGUED FEB. 26, 2004—DECIDED APRIL 2, 2004

Before BAUER, POSNER, and KANNE, *Circuit Judges*.

POSNER, *Circuit Judge*. In the most common type of suit for trademark infringement, the plaintiff complains that the defendant is passing off his (inferior) product as the plaintiff's. But here we have the converse case of "reverse passing off," in which the plaintiff complains that the defendant is trying to pass off the plaintiff's product as the

defendant's. *Illinois High School Ass'n v. GTE Vantage Inc.*, 99 F.3d 244, 246 (7th Cir. 1996); *Sands, Taylor & Wood Co. v. Quaker Oats Co.*, 978 F.2d 947, 957-58 (7th Cir. 1992); *A & H Sportswear, Inc. v. Victoria's Secret Stores, Inc.*, 237 F.3d 198, 227-29 (3d Cir. 2000); *Sterling Drug, Inc. v. Bayer AG*, 14 F.3d 733, 740-41 (2d Cir. 1994). Why would anyone want to do such a thing? One reason might be to obliterate the plaintiff's corporate identity and prevent him from entering new markets, where the defendant, having appropriated the plaintiff's trademark, would claim that the plaintiff was the infringer. Such would be a case of deliberate reverse passing off, and terms like "passing off" and "reverse passing off" are sometimes reserved for deliberate efforts to confuse the consuming public, but either form of confusion can be actionable without proof of intent to confuse.

The trademark infringement claim is federal, and there is also a claim for false advertising, also under the Lanham Act, plus several claims governed by Illinois law, including one for product disparagement. All the claims were rejected on summary judgment.

The disappointed plaintiff is Peaceable Planet. Like the defendant, the much larger and better known Ty Inc. (there is no comma in Ty's name, but we have left it in the name as it appears in the caption because that is what it is called in the complaint), Peaceable Planet makes plush toys in the shape of animals, filled with bean-like materials to give the toys a soft and floppy feel. Ty's plush toys are, of course, the famous "Beanie Babies."

Appendix A

In the spring of 1999, Peaceable Planet began selling a camel that it named "Niles." The name was chosen to evoke Egypt, which is largely desert except for the ribbon of land bracketing the Nile. The camel is a desert animal, and photos juxtaposing a camel with an Egyptian pyramid are common. The price tag fastened to Niles's ear contains information both about camels and about Egypt, and the Egyptian flag is stamped on the animal.

A small company, Peaceable Planet sold only a few thousand of its camels in 1999. In March of the following year, Ty began selling a camel also named "Niles." It sold a huge number of its "Niles" camels—almost two million in one year—precipitating this suit. The district court ruled that "Niles," being a personal name, is a descriptive mark that the law does not protect unless and until it has acquired secondary meaning, that is, until there is proof that consumers associate the name with the plaintiff's brand. Peaceable Planet did not prove that consumers associate the name "Niles" with its camel.

The general principle that formed the starting point for the district court's analysis was unquestionably sound. A descriptive mark is not legally protected unless it has acquired secondary meaning. 15 U.S.C. §§ 1052(e), (f); *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 769 (1992); *Ty Inc. v. Perryman*, 306 F.3d 509, 513-14 (7th Cir. 2002); *Platinum Home Mortgage Corp. v. Platinum Financial Group, Inc.*, 149 F.3d 722, 727 (7th Cir. 1998); *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 10 (2d Cir. 1976). An example is "All Bran." The name describes the product. If the first firm to produce an all-bran

cereal could obtain immediate trademark protection and thereby prevent all other producers of all-bran cereal from describing their product as all bran, it would be difficult for competitors to gain a foothold in the market. They would be as if speechless. Had Peaceable Planet named its camel "Camel," that would be a descriptive mark in a relevant sense, because it would make it very difficult for Ty to market its own camel—it wouldn't be satisfactory to have to call it "Dromedary" or "Bactrian."

Although cases and treatises commonly describe personal names as a subset of descriptive marks, *Perini Corp. v. Perini Construction, Inc.*, 915 F.2d 121, 125 (4th Cir. 1990); *Marker Int'l v. DeBruler*, 844 F.2d 763, 764 (10th Cir. 1988); *Yarmuth-Dion, Inc. v. D'ion Furs, Inc.*, 835 F.2d 990, 993 (2d Cir. 1987); 4 *Callmann on Unfair Competition, Trademarks & Monopolies* § 22:42 (4th ed. 2003), it is apparent that the rationale for denying trademark protection to personal names without proof of secondary meaning can't be the same as the rationale just sketched for marks that are "descriptive" in the normal sense of the word. Names, as distinct from nicknames like "Red" or "Shorty," are rarely descriptive. "Niles" may evoke but it certainly does not describe a camel, any more than "Pluto" describes a dog, "Bambi" a fawn, "Garfield" a cat, or "Charlotte" a spider. (In the *Tom and Jerry* comics, "Tom," the name of the cat, could be thought descriptive, but "Jerry," the name of the mouse, could not be.) So anyone who wanted to market a toy camel, dog, fawn, cat, or spider would not be impeded in doing so by having to choose another name.

Appendix A

The reluctance to allow personal names to be used as trademarks reflects valid concerns (three such concerns, to be precise), but they are distinct from the concern that powers the rule that descriptive marks are not protected until they acquire secondary meaning. One of the concerns is a reluctance to forbid a person to use his own name in his own business. *Sardi's Restaurant Corp. v. Sardie*, 755 F.2d 719, 725-26 (9th Cir. 1985); *Taylor Wine Co. v. Bully Hill Vineyards, Inc.*, 569 F.2d 731, 735-36 (2d Cir. 1978); 2 *McCarthy on Trademarks & Unfair Competition* § 13:5 (4th ed. 2003); cf. *L.E. Waterman Co. v. Modern Pen Co.*, 235 U.S. 88, 95-98 (1914) (Holmes, J.); *Herring-Hall-Marvin Safe Co. v. Hall's Safe Co.*, 208 U.S. 554, 559-60 (1908) (Holmes, J.). Supposing a man named Brooks opened a clothing store under his name, should this prevent a second Brooks from opening a clothing store under his own (identical) name even though consumers did not yet associate the name with the first Brooks's store? It should not. *Abraham Zion Corp. v. Lebow*, 761 F.2d 93, 104-05 (2d Cir. 1985); *Creager v. Russ Togs, Inc.*, 218 U.S.P.Q. 582, 585 (C.D. Cal. 1982); *D & W Food Corp. v. Graham*, 286 P.2d 77, 82 (Cal. App. 1955); *Continente v. Continente*, 244 F.Supp. 688, 689 (N.D. Cal. 1965), aff'd, 378 F.2d 279 (9th Cir. 1967); cf. *Scott Paper Co. v. Scott's Liquid Gold, Inc.*, 589 F.2d 1225, 1231-32 (3d Cir. 1978); *S.C. Johnson & Son, Inc. v. Johnson*, 116 F.2d 427, 429-30 (2d Cir. 1940) (L. Hand, J.); compare *Brooks Bros. v. Brooks Clothing of California*, 60 F. Supp. 442, 454 (S.D. Cal.) (secondary meaning acquired by "Brooks Brothers") decision supplemented, 5 F.R.D. 14 (S.D. Cal. 1945), and aff'd, 158 F.2d 798 (9th Cir. 1947).

Another and closely related concern behind the personal-name rule is that some names are so common—such as "Smith," "Jones," "Schwartz," "Wood," and "Jackson"—that consumers will not assume that two products having the same name therefore have the same source, and so they will not be confused by their bearing the same name. 2 *McCarthy on Trademarks & Unfair Competition*, *supra*, § 13:4; *Restatement (Third) of Unfair Competition* § 14, comment e (1995); cf. *Scott Paper Co. v. Scott's Liquid Gold, Inc.*, *supra*, 589 F.2d at 1231 and n. 4; *S.C. Johnson & Son, Inc. v. Johnson*, *supra*, 116 F.2d at 430. If there are two bars in a city that are named "Steve's," people will not infer that they are owned by the same Steve.

The third concern, which is again related but brings us closest to the rule regarding descriptive marks, is that preventing a person from using his name to denote his business may deprive consumers of useful information. Maybe "Steve" is a well-known neighborhood figure. If he can't call his bar "Steve's" because there is an existing bar of that name, he is prevented from communicating useful information to the consuming public. 2 *McCarthy on Trademarks & Unfair Competition*, *supra*, § 13:3; cf. *Basile, S.p.A. v. Basile*, 899 F.2d 35, 38-40 (D.C. Cir. 1990); *Charles J. Donnelly, Inc. v. Donnelly Bros., Inc.*, 191 A.2d 143, 146 (1963).

The scope of a rule is often and here limited by its rationale. Or, to make the same point differently, one way of going astray in legal analysis is to focus on the semantics of a rule rather than its purpose. Case 1 might say that a personal name could not be trademarked in the circumstances of that

case without proof of secondary meaning. Case 2 might say that personal names cannot be trademarked without proof of secondary meaning but might leave off the qualifications implicit in the circumstances of the case. And then in Case 3 the court might just ask, is the trademark at issue a personal name? As we observed in *AM Int'l, Inc. v. Graphic Management Associates, Inc.*, 44 F.3d 572, 575 (7th Cir. 1995), "rules of law are rarely as clean and strict as statements of them make them seem. So varied and unpredictable are the circumstances in which they are applied that more often than not the summary statement of a rule—the terse formula that judges employ as a necessary shorthand to prevent judicial opinions from turning into treatises—is better regarded as a generalization than as the premise of a syllogism." The "rule" that personal names are not protected as trademarks until they acquire secondary meaning is a generalization, and its application is to be guided by the purposes that we have extracted from the case law. When none of the purposes that animate the "personal name" rule is present, and application of the "rule" would impede rather than promote competition and consumer welfare, an exception should be recognized. And will be; for we find cases holding, very sensibly—and with inescapable implications for the present case—that the "rule" does not apply if the public is unlikely to understand the personal name as a personal name. *Lane Capital Management, Inc. v. Lane Capital Management, Inc.*, 192 F.3d 337, 345-46 (2d Cir. 1999); *Circuit City Stores, Inc. v. CarMax, Inc.*, 165 F.3d 1047, 1054 (6th Cir. 1999).

The personal-name "rule," it is worth noting, is a common law rather than statutory doctrine. All that the

Lanham Act says about personal names is that a mark that is "primarily merely a surname" is not registrable in the absence of secondary meaning. 15 U.S.C. §§ 1052(e)(4), (f). There is no reference to first names. The reason for the surname provision is illustrated by the Brooks example. The extension of the rule to first names is a judicial innovation and so needn't be pressed further than its rationale, as might have to be done if the rule were codified in inflexible statutory language. Notice too the limitation implicit in the statutory term "primarily."

In thinking about the applicability of the rationale of the personal-name rule to the present case, we should notice first of all that camels, whether real or toy, do not go into business. Peaceable Planet's appropriation of the name "Niles" for its camel is not preventing some hapless camel in the Sahara Desert who happens to be named "Niles" from going into the water-carrier business under its own name. The second thing to notice is that "Niles" is not a very common name; in fact it is downright rare. And the third thing to notice is that if it were a common name, still there would be no danger that precluding our hypothetical Saharan water carrier from using its birth name "Niles" would deprive that camel's customers of valuable information. In short, the rationale of the personal-name rule is wholly inapplicable to this case.

What is more, if one wants to tie the rule in some fashion to the principle that descriptive marks are not protectable without proof of second meaning, then one must note that "Niles," at least when affixed to a toy camel, is a suggestive mark, like "Microsoft" or "*Business Week*," or—coming closer to this case—like "Eor" used as the name of a donkey,

or the proper names in *Circuit City Stores, Inc. v. CarMax, Inc., supra*, 165 F.3d at 1054, rather than being a descriptive mark. Suggestive marks are protected by trademark law without proof of secondary meaning. *Two Pesos, Inc. v. Taco Cabana, Inc., supra*, 505 U.S. at 768; *Platinum Home Mortgage Corp. v. Platinum Financial Group, Inc., supra*, 149 F.3d at 727; *Mil-Mar Shoe Co. v. Shonac Corp.*, 75 F.3d 1153, 1156 (7th Cir. 1996); *Entrepreneur Media, Inc. v. Smith*, 279 F.3d 1135, 1142 n. 3 (9th Cir. 2002). Secondary meaning is not required because there are plenty of alternatives to any given suggestive mark. There are many more ways of suggesting than of describing. Suggestive names for camels include "Lawrence [of Arabia]" (one of Ty's other Beanie Babies *is* a camel named "Lawrence"); "Desert Taxi," "Sopwith" (the Sopwith Camel was Snoopy's World War I fighter plane), "Camelia," "Traveling Oasis," "Kamelsutra," "Cameleon," and "Humpy-Dumpy."

If "Niles" cannot be a protected trademark, it must be because to give it legal protection would run afoul of one of the purposes of the common law rule that we have identified rather than because it is a descriptive term, which it is not. But we have seen that it does not run afoul of any of those purposes. "Niles" is not the name of the defendant—it's not as if Peaceable Planet had named its camel "Ty Inc." or "H. Ty Warner." It also is not a common name, like "Smith" or "Jackson." And making Ty use a different name for its camel would not deprive the consumer of valuable information about Ty or its camel.

Appendix A

Treating the personal-name rule as a prohibition against ever using a personal name as a trademark (in the absence of secondary meaning) would lead to absurd results, which is a good reason for hesitating to press a rule to its logical limit, its semantic outer bounds. It would mean that the man who invented "Kitty Litter" could not trademark the name ("Kitty" is a more common first name than "Niles") until it had acquired secondary meaning. So as soon as "Kitty Litter" hit the market, a much larger producer of cat litter could appropriate the name, flood the market with its product, and eventually obtain an enforceable trademark in the name by dint of having invested it with secondary meaning, squashing the originator. This is not an entirely fanciful example. Kitty Litter was invented (and named) in 1947 by a young man, Ed Lowe, in Cassopolis, Michigan, a town of notable obscurity. (As recently as July 2002, its population was only 1,703. We do not know what it was in 1947.) At first he sold the new product mainly to neighbors. On Ty's conception of the personal-name rule, without a patent Lowe could not have prevented a large company from selling the same product under the same name, thus squashing him. We cannot see what purpose of trademark law would be served by encouraging such conduct. Ty marks its "Niles" camel with the trademark symbol, and given the ratio of its sales to those of Peaceable Planet's "Niles," the Ty Niles may be well on its way to acquiring secondary meaning—at which point it will be able to enjoin Peaceable Planet from using the name on Peaceable's camel even though Peaceable thought of naming a camel "Niles" before Ty did. For all we know, Ty may have copied the idea from Peaceable, though Peaceable has not proved that.

Appendix A

Ty argues (we are quoting from its brief) that "one competitor should not be allowed to impoverish the language of commerce by monopolizing descriptive names," and "there are a limited number of personal names that are recognized as such by the public." All true. But the suggestion that "Niles" belongs to the limited class of "recognized" names or that "Niles" is the only way to name a camel is ridiculous.

And there is more: as both *Lane Capital Management, Inc. v. Lane Capital Management, Inc.*, and *Circuit City Stores, Inc. v. CarMax, Inc.*, which we cited earlier, point out, a word that is used as a person's name can be understood as something else ("Kitty," again), in which event the personal- name rule falls by the wayside. On the question whether "Niles" is likely to be understood by the plush-toy-consuming public as a personal name rather than as a play on "Nile" the river, Ty conducted a survey in which about half the respondents indicated that they consider "Niles" a personal name. That is not an impressive fraction; imagine the response if one asked whether "William" is a personal name, or "Michael" or "Judith." Moreover, the survey was limited to adults even though Ty's primary market is children, and the questions posed to the respondents were slanted by obsessive repetition of the term "person's name," as in (we are quoting from the survey) "Do you think of the word on this card mainly as a person's name, mainly as something other than a person's name, or as both a person's name and as something else, or don't you have an opinion?" The intention doubtless was to create a subliminal association between "Niles" and "person's name." But the survey was not merely devoid of probative value, unprofessional, and probably inadmissible under the *Daubert* standard; it was

irrelevant. If people were asked what came to mind when they saw the word "Niles" and they said a camel, there would be an argument that "Niles" was a descriptive mark, and Peaceable Planet would be sunk. The fact that "Niles" can be a person's name (as can almost any combination of letters)—although according to Ty's own statistics only about one resident of Illinois in 50,000 is named "Niles"—does not bear on whether "Niles" is a descriptive mark as applied to a plush toy camel. It is not.

There is a town named "Niles" in Illinois and another one in Michigan, and this is a reminder of the importance of context in characterizing a trademark. "Apple" is a generic term when used to denote the fruit, but a fanciful mark (the kind that receives the greatest legal protection) when used to denote a computer. If a gas station in Niles, Michigan, calls itself the "Niles Gas Station," it cannot before the name acquires secondary meaning enjoin another firm from opening the "Niles Lumber Yard" in the town, on the ground that people will think that the firms are under common ownership. 15 U.S.C. §§ 1052(e)(2), (f); *Barcelona.com, Inc. v. Excelentisimo Ayuntamiento De Barcelona*, 330 F.3d 617, 628-29 (4th Cir. 2003); *Boston Beer Co. Limited Partnership v. Slesar Bros. Brewing Co.*, 9 F.3d 175, 181-82 (1st Cir. 1993); 2 *McCarthy on Trademarks & Unfair Competition*, *supra*, §§ 14:1, 14:7. In a town named Niles, firms bearing the name are sharing a name that is too common to be appropriable without proof of secondary meaning. That is not the case when the name is applied to a camel. And while both Niles, Illinois, and Niles, Michigan, are fine towns, neither is the place of origin of the camel or identified with that animal in some other way.

We conclude that Peaceable Planet has a valid trademark in the name "Niles" as applied to its camel, and so the case must be returned to the district court, where Peaceable Planet, to prove infringement of its trademark ("reverse confusion"), will have to show that a substantial number of consumers think that its camel is actually Ty's. For in that event Peaceable Planet will have suffered injury by losing "the value of the trademark—its product identity, corporate identity, control over its goodwill and reputation, and ability to move into new markets," *Sands, Taylor & Wood Co. v. Quaker Oats Co.*, *supra*, 978 F.2d at 957, quoting *Ameritech, Inc. v. American Information Technologies Corp.*, 811 F.2d 960, 964 (6th Cir. 1987), and so will be entitled to a remedy. But we agree with Ty that Peaceable Planet cannot prove its case by showing that consumers will think it pirated Ty's product. *DeCosta v. Viacom Int'l, Inc.*, 981 F.2d 602, 609-10 (1st Cir. 1992); *M2 Software, Inc. v. Viacom, Inc.*, 119 F. Supp. 2d 1061, 1068-69 (C.D. Cal. 2000), reversed on other grounds, 2002 WL 123571 (9th Cir. 2002). That is a charge of defamation rather than of reverse passing off. The purpose of trademark law (setting to one side dilution cases) is to prevent confusion by consumers concerning the sources of the products they buy. Knowing or thinking that a producer is a pirate is not a confusion about source; you know who the source is, whether you think him a good guy or a bad guy.

It is true that some cases say, contrary to *DeCosta*, that being thought a pirate is one of the harms that the prohibition of reverse passing off is intended to prevent. *Sands, Taylor & Wood Co. v. Quaker Oats Co.*, *supra*, 978 F.2d at 958; *W.W.W. Pharmaceutical Co. v. Gillette Co.*, 984 F.2d 567,

571 (2d Cir. 1993); *Banff, Ltd. v. Federated Dept. Stores, Inc.*, 841 F.2d 486, 490 (2d Cir. 1988). But we think that what these cases mean—this is explicit in our opinion in *Sands*—is that the junior user (Ty) might injure the senior user (Peaceable Planet) by suing for trademark infringement if the latter tried to enter a new market in which the junior was already operating. That would be a case in which reverse passing off had engendered confusion as to source. But that is not argued here, and so if there is reverse passing off here it has to be grounded in evidence other than that of perceived piracy.

Ty contends that there is no other evidence of reverse passing off; and, as is its right, it urges us to affirm the dismissal of the trademark count on this alternative ground, which the district court did not reach because it didn't think Peaceable Planet had a trademark on which to base a suit in the first place. Ty urges the alternative ground in spare and conclusional terms, however, and we think that Peaceable Planet did present enough admissible evidence, though barely, to create a triable issue. The similarity of the products, the identity of the marks, the disparity in the fame of the respective producers, and the fact that Ty flooded the market— selling 1.8 million of its Niles camels in only a year—and advertised the camel on its popular website, and that traffic on Peaceable Planet's website soared 600 percent after Ty announced the launching of its Niles, taken together, enable though they do not compel an inference that a substantial number of consumers thought that Peaceable's Niles was actually Ty's. It is an issue for trial.

But we think the district judge was right to dismiss the product-disparagement count in Peaceable Planet's complaint. It is conceivable that some consumers, mistakenly thinking that Ty must have been the inventor of "Niles" the camel, would think Peaceable Planet a pirate and think worse of it on that account, though most consumers would probably not care a whit. But product disparagement and defamation are distinct torts. *Brown & Williamson Tobacco Corp. v. Jacobson*, 713 F.2d 262, 269 (7th Cir. 1983) (Illinois law); *Crinkley v. Dow Jones & Co.*, 385 N.E.2d 714, 719 (Ill. App. 1978); *Boule v. Hutton*, 328 F.3d 84, 94 n. 8 (2d Cir. 2003); W. Page Keeton, et al., *Prosser and Keeton on the Law of Torts* § 128, p. 964 (5th ed. 1984). A pirated product is not necessarily inferior to the lawful original; it may indeed be identical to it. So an accusation of piracy is not, as Peaceable Planet appears to think, product disparagement per se. *Fedders Corp. v. Elite Classics*, 279 F. Supp. 2d 965, 972 (S.D. Ill. 2003); see *Curtis-Universal, Inc. v. Sheboygan Emergency Medical Services, Inc.*, 43 F.3d 1119, 1124 (7th Cir. 1994); *Allcare, Inc. v. Bork*, 531 N.E.2d 1033, 1037-38 (Ill. App. 1988); *American Pet Motels, Inc. v. Chicago Veterinary Medical Ass'n*, 435 N.E.2d 1297, 1302-03 (Ill. App. 1982), overruled on other grounds in *Kuwik v. Starmark Star Marketing & Administration, Inc.*, 619 N.E.2d 129, 133 (1993). Highly ethical consumers may think worse of the pirate and turn away from his goods; but if so, and if the junior user is responsible for the false impression that the senior is a pirate, the junior is guilty of defamation. See *Brown & Williamson Tobacco Corp. v. Jacobson*, *supra*, 713 F.2d at 269 (Illinois law); *Gardner v. Senior Living Systems, Inc.*, 731 N.E.2d 350, 355-56 (Ill. App. 2000); *Allcare, Inc. v. Bork*, *supra*, 531 N.E.2d at 1037 (Ill. App.

1988); *Crinkley v. Dow Jones and Co.*, *supra*, 385 N.E.2d at 719. There is no evidence of that here; indeed, the complaint contains no defamation count.

As a detail, we note the superficial oddity of Peaceable Planet's naming Ty Warner as a defendant along with Ty Inc. He is, it is true, the sole owner of Ty Inc., but unless a shareholder—sole, controlling, or otherwise—is shown to have been personally involved in the commission of the tort by his corporation, he is not jointly liable for the tort. However, there is some evidence that Warner may have been personally involved in the decision to use the name Niles on a Ty camel, and if so he may be (we do not say he is—it is an issue for resolution on remand) a joint tortfeasor and therefore suable. *Itofca, Inc. v. Hellhake*, 8 F.3d 1202, 1204 (7th Cir. 1993); *Prince v. Zazove*, 959 F.2d 1395, 1401 (7th Cir. 1992); *Buckner v. O'Brien*, 677 N.E.2d 1363, 1367 (Ill. App. 1997), aff'd under the name *Buckner v. Atlantic Plant Maintenance, Inc.*, 694 N.E.2d 565 (Ill. 1998); *National Acceptance Co. of America v. Pintura Corp.*, 418 N.E.2d 1114, 1116-17 (Ill. App. 1981).

It remains to consider the other state-law claims in the complaint, plus the federal false-advertising claim. The other state-law claims are violation of the Illinois Uniform Deceptive Trade Practices Act, 815 ILCS 510/1 *et seq.*, violation of the Illinois Consumer Fraud and Deceptive Business Practices Act, 815 ILCS 505/1 *et seq.*, and common law trademark infringement. The district court thought that all these claims, including the false-advertising claim, fell with the federal trademark infringement claim. Ty doesn't argue that if we reverse the dismissal of that claim we should nevertheless affirm the dismissal of the other claims on some other ground, and so we shall vacate their dismissal as well.

To summarize, the dismissal of the product-disparagement count is affirmed, but the dismissal of the remaining counts is reversed and the case is remanded for further proceedings consistent with this opinion.

AFFIRMED IN PART, REVERSED IN PART, AND REMANDED.

A true Copy:
Teste:

s/ [illegible]
Deputy Clerk of the United States Court of Appeals for the Seventh Circuit

APPENDIX B — MEMORANDUM OPINION AND ORDER OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION DATED AUGUST 27, 2003

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

Case No. 01 C 7350

Hon. John W. Darrah

PEACEABLE PLANET, INC.,
a Georgia Corporation,

Plaintiff,

v.

TY, INC., a Delaware Corporation and
H. TY WARNER, an Individual Illinois Resident,

Defendants.

MEMORANDUM OPINION AND ORDER

Plaintiff, Peaceable Planet, Inc. ("Peaceable Planet"), filed a six- count complaint against Defendants, Ty, Inc. ("Ty") and H. Ty Warner ("Warner"), alleging trademark infringement under § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) (Count I); false advertising in violation of § 43(a) of the Lanham Act (Count II); violation of the Illinois Uniform Deceptive Trade Practices Act, 815 Ill. Comp. Stat.

510/2 (Count III); violation of the Illinois Consumer Fraud and Deceptive Business Practices Act, 815 Ill. Comp. Stat. 505/2 (Count IV); common law trademark infringement (Count V); and common law trade disparagement (Count VI). Defendants, pursuant to Federal Rules of Civil Procedure 56, move for summary judgment on the issues of whether "Niles" is a protectible trademark, likelihood of confusion, and monetary relief. Warner also moves for summary judgment. Peaceable Planet moves for summary judgment on Defendants' Sixth Affirmative Defense.

For the reasons that follow, Defendants' Motion for Summary Judgment on the Issue of Whether the Mark "Niles" is a Protectible Trademark is granted; and Peaceable Planet's Motion for Partial Summary Judgment on Defendants' Sixth Affirmative Defense is denied. Because the Court finds that Peaceable Planet's "Niles" mark is not protectible under the Lanham Act, Defendants' Motions for Partial Summary Judgment on the Issues of No Likelihood of Confusion and Monetary Relief and Warner's Motion for Summary Judgment are denied as moot.

LEGAL STANDARD

Summary judgment is appropriate when there remains no genuine issue of material fact and the moving party is entitled to judgment as a matter of law. Fed. R. Civ. P. 56(c); *Cincinnati Ins. Co. v. Flanders Elec. Motor Serv., Inc.*, 40 F.3d 146, 150 (7th Cir. 1994). "One of the principal purposes of the summary judgment rule is to isolate and dispose of factually unsupported claims or defenses. . . ." *Celotex Corp. v. Catrett*, 477 U.S. 317, 323 (1986). Thus, although the

moving party on a motion for summary judgment is responsible for demonstrating to the court why there is no genuine issue of material fact, the non-moving party must go beyond the face of the pleadings, affidavits, depositions, answers to interrogatories, and admissions on file to demonstrate, through specific evidence, that there remains a genuine issue of material fact and show that a rational jury could return a verdict in the non-moving party's favor. *Celotex*, 477 U.S. at 322-27; *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 254-56 (1986); *Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 586-87 (1986); *Waldridge v. American Hoechst Corp.*, 24 F.3d 918, 923 (7th Cir. 1994).

Disputed facts are material when they might affect the outcome of the suit. *First Ind. Bank v. Baker*, 957 F.2d 506, 507-08 (7th Cir. 1992). When reviewing a motion for summary judgment, a court must view all inferences to be drawn from the facts in the light most favorable to the opposing party. *Anderson*, 477 U.S. at 247-48; *Popovits v. Circuit City Stores, Inc.*, 185 F.3d 726, 731 (7th Cir. 1999). However, a metaphysical doubt will not suffice. *Matsushita*, 475 U.S. at 586. If the evidence is merely colorable or is not significantly probative or is no more than a scintilla, summary judgment may be granted. *Anderson*, 477 U.S. at 249-250.

BACKGROUND

The undisputed facts taken from the parties' Local Rule 56.1(a) & (b) statements of material facts (referred to herein as "Pl.'s 56.1" and "Def.'s 56.1") and exhibits are as follows.

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Peaceable Planet is a Georgia corporation with its principal place of business in Savannah, Georgia. (Def.'s 56.1 ¶ 1.) Peaceable Planet makes plush toy educational products that are targeted at adults and children. (Pl.'s 56.1 ¶¶ 2, 6.) Ty is a Delaware corporation with its principal place of business in Westmont, Illinois. (Def.'s 56.1 ¶ 2.) H. Ty Warner ("Warner"), an Illinois resident, is the founder, president, and chief executive officer ("CEO") of Ty. (Def.'s 56.1 ¶ 3.)

Warner designed "Beanie Babies", Ty's plush toys, specifically for children. (Pl.'s 56.1 ¶ 32.) One of Ty's philosophies in selling and marketing "Beanie Babies" is to focus on children. (Pl .'s 56.1 ¶¶ 38, 39.)

Peaceable Planet introduced Series I of its plush toys in November 1998. (Def.'s 56.1 ¶ 6.) Peaceable Planet later introduced a plush toy camel named "Niles" ("Peaceable Planet's Niles the Camel") in 1999 and began shipping the plush toy camel in the first half of 1999. (Def.'s 56.1 ¶ 7; Pl.'s 56.1 ¶ 7.) Peaceable Planet did not seek legal advice relating to its use of the "Niles" name in conjunction with a plush toy camel before it first used "Niles" in commerce nor did it obtain an opinion of counsel before using the names of its plush toy products. (Def.'s 56 .1 ¶¶ 14, 15.)

From May 1999 through the end of February 2000, Peaceable Planet shipped approximately 3,217 of its "Niles" plush toy camel. (Def.'s 56.1 ¶ 7.) In 1999, Peaceable Planet's advertising and promotion expenses for its products was $112,711.59. (Pl.'s 56.1 ¶ 73.) In 2000, Peaceable Planet's advertising and promotion for its products was $78,708.07. (Pl.'s 56.1 ¶ 73.)

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On February 13, 2000, at the New York Toy Fair, Ty introduced a plush camel as part of its "Beanie Babies" collection. (Def.'s 56.1 ¶ 8.) The "Beanie Babies" plush toys introduced by Ty at the New York Toy Fair were prototypes that had no hang tags or names associated with them. (Pl.'s 56.1 ¶ 4.) The name "Niles" first appeared on Ty's website introducing its plush camel to the public on March 1, 2000. (Def.'s 56.1 ¶ 8.)

Ty uses the symbol "TM" following the name "Niles" on its plush toy camel on the hang tag and on the cloth tag on the rear of the toy. (Pl.'s 56.1 ¶ 8.) Ty's use of the "TM" symbol means that Ty is claiming that the word "Niles" as a trademark. (Pl.'s 56.1 ¶ 9.) Ty's website informs consumers that it owns the "Niles" "trademark". (Pl.'s 56.1 ¶ 10.) Ty shipped approximately 1.8 million plush camel toys bearing the word "Niles" accompanied by the "TM" symbol. (Pl.'s 56.1 ¶ 11.) Ty states that "Niles" is a trademark in its catalog by using the "TM" symbol next to "Niles" and through legal notice at the front and back of the catalog. (Pl.'s 56.1 ¶ 12.) On or after March 21, 2000, Ty began shipping its plush toy camel. (Pl.'s 56.1 ¶ 16.) Ty has sold approximately 1,800,000 plush toy camels named "Niles". (Pl.'s 56.1 ¶ 17.)

On March 22, 2000, Peaceable Planet filed an application to register "Niles" with the United States Patent and Trademark Office ("PTO"). (Compl. ¶ 41; Def.'s 56.1 ¶ 9.) On January 23, 2001, the PTO published "Niles" for opposition. (Compl. ¶ 42.) On May 23, 2001, Ty filed a Notice of Opposition to Peaceable Planet's registration of "Niles" with the PTO. (Compl. ¶ 43.) Peaceable Planet has never

tried to obtain any type of trademark registration for any plush toy name other than "Niles". (Def.'s 56 .1 ¶ 13.)

On March 24, 2000, Peaceable Planet sent Ty a cease and desist letter, demanding that Ty not use the "Niles" mark on Ty's Niles the Camel. (Pl.'s 56.1 ¶ 12.)

On September 21, 2001, Peaceable Planet filed the instant action. (Def.'s 56.1 ¶ 11.) Defendants answered the complaint, alleging as an affirmative defense that Peaceable Planet's "alleged trademark is not inherently distinctive." (Ty's Answer at 22; Warner's Answer at 23.) Peaceable Planet's trademark application is currently suspended pending this lawsuit. (Def.'s 56.1 ¶ 12.)

In September 2002, Defendants commissioned Monroe Mendelsohn Research, Inc. ("MMR") to conduct a consumer survey to measure how consumers perceive the word "Niles". (Def.'s 56.1 ¶ 10.) MMR surveyed 319 recent and prospective purchasers of plush toys nationwide who were asked about the primary meaning of the word "Niles". (Def.'s 56.1 ¶ 11.) The survey was modeled after a survey known as a "Teflon" survey, which typically tests for genericness not descriptiveness. (Pl.'s 56.1 ¶ 29.) The respondents were told that some words are mainly used as a personal name, some words are mainly used to mean something other than a person's name, and some words are used as both a person's name and to mean something else, as well. (Def.'s 56.1 ¶ 12.) They were then given an example, using "George" as mainly a person's name, "Rose" as meaning both a person's name and something else, and "Ocean" as mainly meaning something else. (Def.'s 56.1 ¶ 13.) The example was followed

by three example questions using "Thomas", "Daisy", and "Echo" to determine whether the respondent understood. (Def.'s 56.1 ¶ 14.)

The respondents were then shown ten different cards, each presenting a word, and asked whether they thought of the word on the card mainly as a person's name, mainly as something other than a person's name, as both a person's name and as something else, or they had no opinion. (Def.'s 56.1 ¶ 15.) Two different groups of words were used, each of which were shown to approximately half the respondents. (Def.'s 56.1 ¶ 16.) The first group consisted of: Amber, Cash, Dorothy, Hunter, Jeff, Michael, Rod, Season, Wolf, and Niles. (Def.'s 56.1 ¶ 17.) The second group consisted of: Arthur, Crystal, Doris, Heather, Paris, Raven, Steven, Storm, Victor, and Niles. (Def.'s 56.1 ¶ 17.)

Persons under the age of eighteen were excluded from the survey. (Pl.'s 56.1 ¶ 45.) After a number of screening questions, instructions and examples, the last question that was asked of each respondent in the survey was "Do you think of the word on this card mainly as a person's name, mainly as something other than a person's name, or as both a person's name and as something else or don't you have an opinion?" (Pl.'s 56.1 ¶ 54.) Each respondent answered this question for ten different terms. (Pl.'s 56.1 ¶ 55.) By design, "Niles" was always the last term asked about. (Pl.'s 56.1 ¶ 56.) As a result of this manner of presenting questions and the preliminary instructions and examples which repeatedly used the phrase "person's name", each respondent had the phrase "person's name" read to them forty-two times before they were asked about their perception of the word "Niles". (Pl.'s 56.1 ¶ 57.)

Appendix B

The results of the survey showed that more prospective purchasers (47%) thought of the word "Niles" as a word mainly used as a person's name than as to mean something other than a person's name (15%) or as a word that is used to describe a person's name and as something else (34%). (Def.'s 56.1 ¶ 18.)

The word "Niles" was found only in one of the eleven dictionaries that were searched. (Def.'s 56.1 ¶ 19.) That dictionary defined "Niles" as a village in northeast Illinois and a city in northeast Ohio. (Def.'s 56.1 ¶ 19.) The name "Niles" appears in at least three baby name books and eight baby name websites. (Def.'s 56.1 ¶ 20.) "Niles" is also the name of one of the characters on the popular television show "Frasier". (Def.'s 56.1 ¶ 22.) A search of the People Locator database on Lexis-Nexis showed that at least 147 people in the state of Illinois and over 1,000 people in the states of Michigan, California, and Texas are named "Niles". (Def.'s 56.1 Ex. 7 at Tab D.)

A report by a consumer impression[1] expert commissioned by Peaceable Planet concluded that hundreds of thousands of actual consumers viewed Peaceable Planet's Niles the Camel or advertisements for the product through trade shows, trade magazines, and the internet, prior to Ty's announcement of Ty's Niles the Camel plush toy camel in March 2000. (Pl.'s 56.1 ¶ 75.) However, at her deposition, Peaceable Planet's consumer impression expert admitted that she had not

1. An "impression" "denotes an appearance of the term 'Niles the Camel' either in writing or through the spoken word as a result of Peaceable Planet's marketing efforts for its plush camel product." (Defs.' 56.1 Ex. 2 at 6.)

analyzed whether the consumer impressions had any effect on identifying the source of the product and that her report did not make any conclusions as to whether consumers made a connection between the name "Niles" and Peaceable Planet. (Defs.' Reply Pl.'s 56.1, Ex. 4 at 9-16.)

DISCUSSION

Defendants argue that summary judgment is appropriate because "Niles" is descriptive and Peaceable Planet has failed to establish that the term "Niles" has secondary meaning. Peaceable Planet argues that summary judgment is appropriate because " 'Niles' is not descriptive of a plush camel toy, as a matter of law...." (Peaceable Planet's Mem. Supp. Mot. Partial Summ. J. Defs.' Sixth Affirmative Def. at 2.)

Section 43(a) of the Lanham Act provides that:

> [a]ny person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person . . . shall be liable in a civil action

> by any person who believes that he or she is or is likely to be damaged by such act.

15 U.S.C. § 1125(a)(1)(A). Section 43(a) of the Lanham Act protects qualifying unregistered trademarks. *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768 (1992). In order to prevail on its claim for trademark infringement under this Section of the Lanham Act, Peaceable Planet must prove that (1) it has a valid trademark and (2) Defendants infringe that mark, i.e., Defendants' use of "a substantially similar or identical mark causes a likelihood of confusion among consumers as to the source of those specific goods or services." *Platinum Home Mortgage Corp. v. Platinum Fin. Group, Inc.*, 149 F.3d 722, 726 (7th Cir. 1998).

The Lanham Act defines a "trademark" as "any word, name, symbol, device, or any combination thereof . . . used by a person . . . to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown." 15 U.S.C. § 1127. Marks can be classified into the following categories of increasing distinctiveness: (1) generic, (2) descriptive, (3) suggestive, (4) arbitrary, and (5) fanciful. *Two Pesos*, 505 U.S. at 768. "The latter three categories of marks, because their intrinsic nature serves to identify a particular source of a product, are deemed inherently distinctive and are entitled to protection." *Two Pesos*, 505 U.S. at 768.

"A generic term is one that refers to the genus of which the particular product is a species." *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 193 (1984). Generic terms

cannot be registered, and registered marks may be cancelled at any time if they have become the generic term for a good or service. *Park 'N Fly*, 469 U.S. at 193 (citing 15 U.S.C. § 1052, 1064(3)). A mark that is "descriptive", that is, it describes the qualities or characteristics of a good or service, or "primarily merely a surname" may be registered only if it is shown that the mark has acquired "secondary meaning", that is the mark "has become distinctive of the applicant's goods in commerce." 15 U.S.C. § 1052(e), (f).

First names, like surnames, are descriptive terms under the Lanham Act and require proof of secondary meaning in order to be considered a valid trademark. Therefore, first and surnames are not inherently distinctive and, therefore, require proof of secondary meaning in order to be a valid trademark. *See, e.g., E. & J. Gallo Winery v. Gallo Co.*, 967 F.2d 1280, 1291 (9th Cir. 1992); *Pirone v. MacMillan Inc.*, 894 F.2d 579, 583 (2d Cir. 1990); *Marker Int'l v. DeBruler*, 844 F.2d 763, 764 (10th Cir. 1988).

A mark is primarily merely a personal name if the primary significance of the mark to the purchasing public is that of a personal name. *Lane Capital Mgmt., Inc. v. Lane Capital Mgmt., Inc.*, 192 F.3d 337, 345 (2d Cir. 1999) (citing *In re Hutchinson Tech., Inc.*, 852 F.2d 552, 554 (Fed. Cir. 1988)). "Niles" is a personal name. According to the consumer survey conducted by MMR, 47% of prospective purchasers thought of the word "Niles" as a word mainly used as person's name. The word "Niles" appears in at least three baby name books and eight baby name websites. At least 147 people in the state of Illinois and over 1,000 in the states of Michigan, California, and Texas are named "Niles". The evidence

presented is sufficient to establish, and does establish, that the significance of the word "Niles" to the purchasing public is primarily merely as a personal name and that the "Niles" mark is not inherently distinctive. *Lane Capital Mgmt.*, 192 F.3d at 346 (citing cases that held that a large number of telephone directory listings established that a mark was primarily merely a surname).

Therefore, in order for "Niles" to be considered a valid trademark, Peaceable Planet must establish that "Niles" has secondary meaning.

"To establish secondary meaning, a manufacturer must show that, in the minds of the public, the primary significance of a product feature or term is to identify the source of the product rather than the product itself." *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 851 n.11 (1982). "Proof of secondary meaning can be established through direct consumer testimony, consumer surveys, length and manner of use, amount and manner of advertising, volume of sales, place in the market, and evidence of intentional copying." *Packman v. Chicago Tribune Co.*, 267 F.3d 628, 641 (7th Cir. 2001). The party asserting trademark protection, here Peaceable Planet, bears the burden of establishing secondary meaning. *See G. Heileman Brewing Co., Inc. v. Anheuser-Busch, Inc.*, 873 F.2d 985, 994 (7th Cir. 1989).

Peaceable Planet has not presented any consumer testimony or consumer surveys that would indicate that the primary significance of the term "Niles" is to identify Peaceable Planet as the source of the product rather than the toy camel itself. Rather, Peaceable Planet attacks the propriety

of the MMR survey and argues that "Niles" is suggestive geographic term. However, the MMR survey analyzed not whether consumers perceived the term "Niles" as a source identifier, i.e., whether the term has secondary meaning, but whether consumers perceived the term "Niles" as a personal name, i .e., whether the term is descriptive. Moreover, the Peaceable Planet consumer impression report, as their consumer impression expert admitted, does not establish that the term "Niles" has secondary meaning. Peaceable Planet has not presented any consumer survey evidence or direct consumer testimony that "Niles" is geographically suggestive.

It is undisputed that Peaceable Planet has been using the term "Niles" on its toy camel since 1999. It is also undisputed that between May 1999 and February 2000, Peaceable Planet shipped 3,217 of its Niles the Camel. There is also no dispute that, in 1999 and 2000, Peaceable Planet spent $112,711.59 and $78,708.07, respectively, on advertising and promoting all of its products.

"Evidence of advertising and sales is entirely circumstantial, and that evidence does not necessarily indicate that consumers associate a mark with a particular source, particularly when the advertisements and promotions do no specifically emphasize the mark. . . . Accordingly, courts have found that this type of evidence may be insufficient to establish that a descriptive mark has acquired secondary meaning." *Platinum Home Mortgage Corp.*, 149 F.3d at 729. Here, this evidence is insufficient to establish whether the term "Niles" has secondary meaning. It cannot be determined from the evidence presented what portion of

the amounts spent on advertising was actually spent on Peaceable Planet's Niles the Camel. Furthermore, the low number of sales of Peaceable Planet's Niles the Camel units in a nine-month period is not sufficient to establish that the term "Niles" has secondary meaning. Peaceable Planet did not present any competent evidence as to its place in the market. Moreover, Peaceable Planet did not present any evidence of intentional copying of its mark. Thus, the evidence fails to raise a genuine issue of material fact as to whether the Peaceable Planet's "Niles" has acquired secondary meaning.

The "Niles" mark is not a valid, protectible mark because it has not acquired secondary meaning. Therefore, Defendants' Motion for Summary Judgment on the Issue of Whether the Mark "Niles" is a Protectible Trademark is granted; and Peaceable Planet's Motion for Partial Summary Judgment on Defendants' Sixth Affirmative Defense is denied.

Because the Court finds that the mark "Niles" is not a protectible trademark, Defendants are granted summary judgment on Counts I through V. *See Gimix, Inc. v. J S & A Group, Inc.*, 699 F.2d 901, 908 (7th Cir. 1983) (noting that false advertising claim under the Lanham Act failed with a holding that the alleged trademark was invalid as a merely descriptive term); *World Impressions, Inc. v. McDonald's Corp.*, 235 F. Supp. 2d 831, 841 (N.D. Ill. 2002) (noting that Illinois Consumer Fraud and Deceptive Business Practices Act claims are resolved in the same manner as Lanham Act claims); *Spex, Inc. v. Joy of Spex, Inc.*, 847 F. Supp. 567, 579 (N.D. Ill. 1994) (holding that claims for unfair

competition and deceptive business practices brought under Illinois statutes and common law trademark infringement failed where the court found that the plaintiff did not have a protectible trademark under the Lanham Act because such state claims are resolved according to principles set forth under the Lanham Act).

Defendants also argue that summary judgment on Peaceable Planet's trade disparagement claim is appropriate because Peaceable Planet has not shown that Ty made any disparaging or false statements regarding the quality of Peaceable Planet's products, and the complaint does not allege that Ty made such statements.

In order to prove a claim of trade disparagement, Peaceable Planet must prove the publication of a false or misleading representation of fact that disparages the quality of its goods or services. *Olin Hunt Specialty Prods., Inc. v. Advanced Delivery & Chem. Sys.*, No. 88 C 20364, 1990 WL 304261, at *2 (N.D. Ill. Oct. 31, 1990); *see also Beckner v. Zellner*, 292 Ill. App. 3d 116, 128 (1997) (noting that to prove commercial disparagement "plaintiff must show that defendant made false and demeaning statements regarding the quality of another's goods and services") (internal quotation marks omitted). Peaceable Planet has not presented any evidence that Defendants made any false, misleading, or demeaning statements regarding its products. The complaint does not allege that Defendants made false, misleading, or demeaning statements regarding the quality of Peaceable Planet's Niles the Camel or any other Peaceable Planet product. Rather, the complaint alleges that Defendants' conduct in manufacturing and selling Ty's Niles the Camel

will cause (1) Peaceable Planet to be perceived as an infringer of Ty's alleged trademark rights, (2) Peaceable Planet's products to be perceived as inferior, and (3) damage to Peaceable Planet's reputation and goodwill. (Compl. ¶¶ 100, 101.) However, such conduct cannot, as a matter of law, give rise to a claim for commercial disparagement. *Global Relief Found.*, 2002 WL 31045394, at *12 ("Statements attacking the plaintiff itself or its conduct, as opposed to the quality of its goods or services, may give rise to a defamation claim but cannot support a commercial disparagement claim."). Therefore, Defendants are also granted summary judgment on Count VI.

Because the Court finds that Peaceable Planet's "Niles" mark is not predictable under the Lanham Act, Defendants' Motions for Partial Summary Judgment on the Issues of No Likelihood of Confusion and Monetary Relief and Warner's Motion for Summary Judgment are denied as moot.

Appendix B

CONCLUSION

For the reasons stated herein, Defendants' Motion for Summary Judgment on the Issue of Whether the Mark "Niles" is a Protectible Trademark is granted; and Peaceable Planet's Motion for Partial Summary Judgment on Defendants' Sixth Affirmative Defense is denied. Defendants are granted summary judgment on Counts I through VI. Because the Court finds that Peaceable Planet's "Niles" mark is not protectible under the Lanham Act, Defendants' Motions for Partial Summary Judgment on the Issues of No Likelihood of Confusion and Monetary Relief and Warner's Motion for Summary Judgment are denied as moot.

IT IS SO ORDERED.

August 27, 2003

s/ John W. Darrah
John W. Darrah, Judge
United States District Court